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Student Savings Plans Bank On Future

Bank's Program In Schools Brings It Both Profit And A Deposit Of Good Will

by GREGORY SEAY / Courant Staff Writer

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Before they start in on their ABCs each Friday, Portland fourth-graders Michele Ziegler and Adam Harris do their banking.

On "banking day," their teachers collect their \$5 deposits, later put by parent volunteers into their Liberty Bank savings accounts.

"It's an easier way of saving," said Michele, 9. "I've been doing it the last two years in case I need anything."

The frugality being taught to schoolchildren in Portland and dozens of other grade schools across the state is literally being taken to the bank.

Since launching its school banking program six years ago, Liberty has generated about 7,700 student customers with a combined wealth of more than \$9.3 million - an average of \$1,197 per account, bank officials say.

The Middletown-based bank is the state's sixth-largest, with about \$2.2 billion in assets. It has seized the opportunity to extend financial literacy into the classroom, while establishing a potentially profitable relationship with future adult savers and borrowers.

Observers say efforts such as Liberty's, along with BankNorth Connecticut's similar pilot program and youth financial-literacy initiatives promoted by state Treasurer Denise Nappier, are just in time to help reverse the trend of Americans' dismal savings rate.

In October, the rate had sunk to 0.2 percent of disposable income, according to government data. In the

1970s and early 1980s, it was 6 percent to 10 percent.

When he was in grade school, and when he began his banking career in the '60s, state Banking Commissioner Jack Burke said, school programs were "an integral part of banks' community outreach." Eventually, however, banks and school systems found it too expensive and time-consuming to continue them, Burke said.

"Maybe they're getting religion again, which I think is wonderful," he said.

Liberty Bank has 32 schools, primarily in its Middlesex County and New London County markets, participating in the savings program. Students in grades 3 through 6 who open accounts in the program get a rate far above what the bank offers regular passbook depositors.

Liberty's school banking depositors collect a 2.5 percent annual percentage yield, compared with a range of 0.1 to 0.5 percent for regular depositors. Participants qualify for the more generous rate until they turn 18.

The incentive rate is set by Save For America (about.saveforamerica.org), an independent nonprofit organization that promotes the savings habit among children and Liberty's school-banking partner.

Even with higher interest paid to the students, the program is profitable for Liberty both financially and in other ways, said Deb Bochain, executive vice president of the personal services group that oversees the school-banking program.

"It's profitable in the sense that we're building relationships and providing a community service, and generating future customers for the bank," Bochain said.

BankNorth is preparing to make permanent a pilot savings program begun last October with 100 student depositors at William Strong School in Southington and an elementary school in Killingworth, said John Patrick, president and chief executive officer. The bank is also talking to New Britain school officials about establishing a deposit program there, Patrick said.

"For us, it purely is about giving back to the community," he said.

As good as those programs may be to the bottom line, bankers acknowledge they wouldn't be practical without the help of parent volunteers, such as Jean McCarthy of Portland, who serve as surrogate bankers.

Around lunchtime each Friday, McCarthy, with the help of at least one other parent, gathers the students' deposits from the main office at Gildersleeve School. The grade 3-4 school has 51 depositors; an additional 70 participate at nearby Brownstone Intermediate, a new school for grades 5 and 6.

In a quiet corner of the school library, deposit envelopes are opened and their contents - a few coins here, a \$5 or \$20 bill there, even checks - are counted and the amounts logged into a library computer. Total deposits on Friday were \$186.72.

Receipts are written longhand and inserted into fresh envelopes, along with a sticker as a reward. One depicts a grinning chicken atop an oversized egg on a cushion of currency that reads: "I'm Making My Nest Egg."

McCarthy, who works part-time as a speech pathologist, says volunteering is a way to stay involved in her children's education. She also believes in teaching youths early the virtues of saving.

"My kids are spenders, not savers," she said. Her fourth-grader, Liam, is saving for a digital camera. Daughter Grace, a seventh-grader who opened her account when she was at Gildersleeve, is saving for a cell phone.

Alison Harris, another parent volunteer, said her son, Adam, followed the footsteps of his older sister, now in ninth grade, as a participating depositor.

"She still goes to the bank," Harris said.

Linda Ziegler, who also volunteers, said she sees no conflict in Liberty's efforts to teach her daughter Michele about finances while wooing her as a customer.

"It kind of ties in, I think," said Ziegler.

She and Liberty officials note participation is voluntary, and they also point to the support of the school system in allowing the use of school facilities for student banking.

Gildersleeve Principal Debby Graner said the program is an opportunity for students to apply talents and skills to a real-world exercise.

"Making kids responsible at an early age for saving is good," Graner said. "Economics is something we live with our whole lives. I don't think we can do this early enough, because it teaches responsibility."

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